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FARMERS' NEWSLETTER

Feed Grains



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Feed grain prices since early July have strengthened as concern mounts over possible crop damage from the excessive heat and dry weather in Texas and nearby States and in parts of the Corn Belt. But even if feed grain crops are about in line with July 1 expectations, prices probably will average higher than in 1979/80. Here's a breakdown of prospective average farm prices in 1980/81:

- Corn will likely average \$2.45 to \$2.85 per bushel, compared with \$2.40 estimated for 1979/80.
- Sorghum, \$2.25 to \$2.80, compared with \$2.25 estimated for 1979/80;
- Barley, \$2.30 to \$2.60, compared with \$2.31 in 1979/80; and
- Oats, \$1.40 to \$1.65, compared with \$1.36 in 1979/80.

These are national averages--the prices you get for your grains may be higher or lower, depending on such things as how far you are from major markets, when you sell, and any special circumstances that affect your local price.

Large Corn Crop in Prospect

There's a good possibility that this year's corn crop--forecast as of

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The next feed grains newsletter is scheduled for early October.

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As this letter goes to press, much of the country has been gripped by a severe heat wave that stressed crops from Texas to North Dakota and in parts of the Corn Belt. Right now, there's no measure of how much damage the hot, dry weather has caused, but a clearer picture will emerge with USDA's August 11 Crop Production Report.

Until then, we can alert you to some of the decisionmaking factors that are more certain at this point. This will give you a framework in which to begin planning your marketing strategies.

* * * * *

July 1 at 7.28 billion bushels--could be the second largest on record. This is 6 percent below the 1979's record 7.6-billion-bushel crop. However, hot, dry weather during July has reduced corn prospects in many parts of the country so production could fall below 1978's 7.1 billion bushels. Of course, weather will be the determining factor. Here's how the other feed grain crops looked as of July 1:

- Barley--forecast at 329 million bushels, 13 percent below 1979,
- Oats--forecast at 450 million bushels, 16 percent below 1979 and the smallest since the late 1800's, and
- Sorghum--the first USDA forecast will

be made August 11, but early indications point to a range of 650 to 850 million bushels, compared with 814 million bushels last year.

The actual outcome, as always at this time of year, depends heavily on weather during the next few weeks. A statistical measure, based on past years, suggests that the chances are 2 out of 3 that the corn crop this year will not differ from the July 1 estimate by more than 8.5 percent (619 million bushels). Thus, chances are 2 out of 3 that the corn crop will fall between 6.66 and 7.90 billion bushels, and only 1 chance out of 3 it will fall above or below that range.

**FEED GRAINS:
LOWER PRODUCTION; INCREASED USE¹**

Feed grains	1980/81 ²		
	1979/80 Estimated	Projected	Probable variability ³
<i>Million acres</i>			
Area			
Planted	117.6	120.8	
Harvested	101.2	103.4	
<i>Metric tons</i>			
Yield per harvested acre	2.31	2.11	
<i>Million metric tons</i>			
Beginning stocks	45.9	52.1	+19 to -19
Production	233.9	217.8	
Imports3	.2	
Supply, total	280.0	270.1	+19 to -19
Feed and residual	135.9	132.5	+ 9 to - 9
Food, seed, & ind.	20.9	24.1	+ 1 to - 1
Domestic, total	156.8	156.6	+ 9 to - 9
Exports	71.1	74.2	+ 6 to - 6
Use, total	227.9	230.8	+13 to -13
Ending stocks			
Farmer-owned reserve	24.2	12.1	
CCC inventory	8.8	8.8	
Free stocks	19.1	18.4	
Total	52.1	39.3	+ 9 to - 9

¹ Marketing year beginning October 1 for corn and sorghum; June 1 for barley and oats. ² Includes midpoints of projected ranges for sorghum. ³ The "probable variability" reflects the root mean square error and/or standard error of estimate from trend and judgment. Chances are about 2 out of 3 that the outcome will fall within the indicated ranges.

Any sharp differences in feed grain production from July 1 expectations would of course affect grain prices and change the expected carryover level at the end of 1980/81.

Record Use Supports Prices

Somewhat smaller supplies, along with prospects for feed grain disappearance (domestic use plus exports) to reach an alltime high in 1980/81, are behind the expected price strength. Use could total a record 231 million metric tons--compared with 228 million tons estimated for 1979/80. That use would be larger than the forecast 1980 crop production and would result in a drawdown in carryover stocks to about 39 million tons from the estimated 1979/80 carryover of 52 million tons. Several factors are contributing to the record use:

- American farmers will continue heavy feeding of livestock and poultry--forecast at around 132 million metric tons in 1980/81. Although this is a little less than in the past 2 years, it's still large. The drop will come as pork and broiler production fall below year-earlier levels in response to unfavorable margins between slaughter animal prices and production costs.
- Feed grains used domestically for food, seed, and industrial purposes will likely reach a new high of about 24 million tons, 3 million tons more than in 1979/80, as the upward trend of the last few years continues. The total is boosted by increasing production of high fructose corn syrup and production of alcohol for gasohol.
- Even higher export levels are likely in 1980/81, due to growing world demand and prospects for poorer crops this year in the major grain exporting countries of Canada, Argentina, and Australia.

The sharp upward trend in U.S. feed grain exports in recent years has been due partly to weather-reduced production in some countries and improved economic conditions in many countries that enable them to upgrade their diets by increasing livestock and poultry production. U.S. feed grains are making up 72 percent of world coarse grain exports in 1979/80 and likely will account for around 74 percent in 1980/81.

U.S. export prospects include about 5 million metric tons (200 million bushels) of corn for the Soviet Union. October 1 begins the last year of the 5-year U.S.-USSR Grains Agreement which requires the Soviets to buy a minimum of 6 million metric tons annually of U.S. wheat and corn, in about equal parts, and permits them to buy up to 8 million metric tons of grain without further consultation with us.

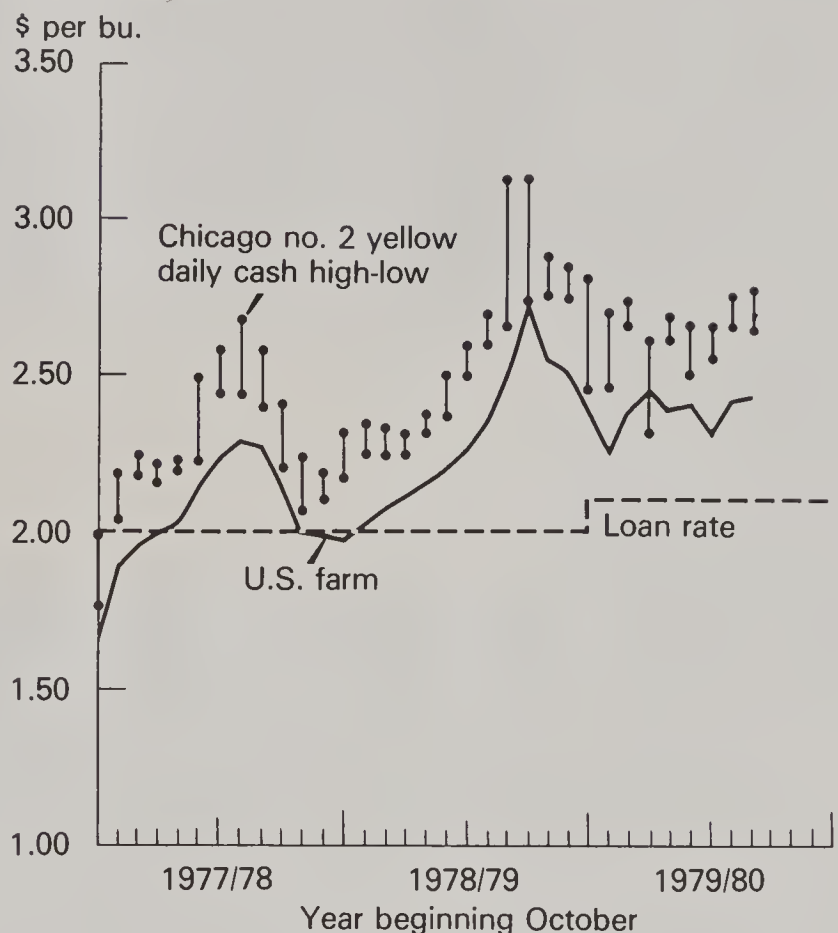
On July 23, private exporters reported the first sales to the Soviets for the last year of the agreement: 100,000 metric tons (3.94 million bushels) of U.S. corn and 100,000 metric tons (3.67 million bushels) of U.S. wheat for export after October 1.

Marketing Plans: Points to Ponder

A lot can happen between now and the time you sell your 1980 crop. Here are some of the options you may want to consider as you make your marketing plans:

- **1980 Feed Grain Program:** There's no set-aside requirement, so you're eligible for program benefits on the feed grains you grow this year, including loans, entry into the farmer-owned reserve, and other program benefits. However, you must report your plantings to your ASCS office to be eligible for any program benefits. You can place feed grains in the farmer-owned reserve until prices reach call levels.

CORN PRICES AVERAGE HIGHER IN 1979/80



- **Reserve Grain:** National average grain prices have risen to release levels for wheat, corn, and barley. So you may withdraw these grains from the farmer-owned reserve without penalty. You don't have to redeem or sell the grain you have in the reserve when prices reach release levels. But if prices rise further and reach call levels, reserve loans must be redeemed or grain forfeited. If you have farm-stored reserve grain, you must request a release from your county ASCS office before removing it for sale.

Oats under new reserve agreements were called on July 15; old oat reserve agreements were called May 23. Sorghum under old reserve agreements was called July 17; sorghum under new reserve agreements was called July 25.

- **Storage:** Consider selling some old-crop grain during price rallies if what you're holding isn't eligible to go into the farmer-owned reserve and you're tight for storage space for your 1980 crop.

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- Forward Contracting: Watch futures prices. The hot, dry weather may provide a chance for forward contracting at better prices than you could get in the cash market.
- Hedging: You may want to consider a hedge on the futures market. Typically, you would offset your futures contract by buying it back when you sell your grain in the cash market. Hedging can sometimes protect against price changes, but it requires constant attention.

And finally, here is some additional information to keep you up-to-date.

- Disaster payments: If you certified your planted acreage with your ASCS office this year, you'll be eligible for disaster payments if weather or other natural conditions sharply reduces corn, wheat, sorghum, barley, upland cotton, or rice yields or causes crop failure. See your ASCS office for details.

- Transportation: In most areas, transportation facilities are not overloaded now, certainly not as much as they will be in the fall and early winter if crops are large. This could be especially important if you're located far from major markets.

- By July 24, the CCC had resold export rights to 335.5 million bushels of corn out of a total of 351.7 million bushels it acquired as a result of the suspension of exports to the Soviet Union.

- The direct purchases of 160 million bushels of corn made by the CCC, and additional entries of corn into the farmer-owned reserve have offset the amount of U.S. corn withheld from the Soviets in January.

- The interest rate on CCC commodity price support loans for 1980 crops has been reduced to 11.5 percent.

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CCC LOAN RATES RAISED

CCC price support loan rates on 1980-crop wheat, feed grains, and soybeans were raised on July 28. Rates were set at \$2.25 per bushel for corn, \$2.14 for sorghum, \$1.83 for barley, and \$1.16 for oats. Rates were set at \$3.00 for wheat and \$5.02 for soybeans. Higher loan rates on 1980 crops raise farmer-owned reserve release and call prices. Release prices for feed grains remain at 125 percent of loan rates and call prices at 145 percent of loan rates.